

STATE OF NEVADA  
GAMING CONTROL BOARD

CPA MICS COMPLIANCE REPORTING REQUIREMENTS

**GUIDELINES**

***Required Procedures***

In connection with the issuance of the CPA compliance report pursuant to Regulation 6.090(9) the CPA is required to:

1. Compare the licensee's submitted system of internal control in its entirety to the Minimum Internal Control Standards (MICS) to ascertain whether the criteria set forth in the MICS or approved variations are adequately addressed. The submitted system must, pursuant to Regulation 6.090(2)(c), include an organization chart depicting segregation of functions and responsibilities, a description of the duties and responsibilities of each position shown on the organization chart, and an accurate, detailed narrative description of the licensee's procedures in effect that demonstrates compliance with the MICS.

Licensee's personnel may be used to cross-reference the internal control system to the Minimum Internal Control Standards, as long as the CPA performs a review of the licensee's work and assumes complete responsibility for the proper completion of this requirement.

2. Complete the applicable CPA MICS COMPLIANCE CHECKLIST for Group I and Group II licensees by performing walk-throughs, observations and compliance testing. A separate checklist must be completed for each gaming revenue center, for areas subject to casino entertainment tax, cage and credit, in-house internal audit departments and EDP departments.

**Note: Photocopies of the checklists provided by the Board may be used. Additionally, if your checklists are generated from our disks or your computer files, the format must be identical to that originally issued by the Board.**

All questions on each applicable checklist must be completed. Workpaper references should be provided for all "no" responses and for the results obtained during document testing (unless the question can be answered by a note in the "W/P Ref." column).

The CPA must perform the following procedures in conjunction with the completion of the checklists:

- a. At least one unannounced observation of each of the following: Slot coin drop, slot currency acceptor drop, table games drop, slot coin count, slot currency acceptor count, and table games count. The AICPA's "Audits of Casinos" Audit and Accounting Guide states that "...observations of operations in the casino cage and count room should not be announced in advance..." For purposes of these procedures, "unannounced" means that no officers, directors, or employees are given advance information regarding the dates or times of such observations. Arrangements should be made between the licensee and the independent accountant to ensure proper identification of the CPA's, while at the same time providing for their prompt access to the count rooms.

The slot coin count observation must include a weigh scale test of all denominations using precounted coin. The count must be in process when these tests are

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performed, and should be conducted prior to the commencement of any other walk-through procedures. For computerized weigh scales, the test can be conducted at the conclusion of the count, but before the final totals are generated.

There are three separate checklists provided for the drop/count observations, one for the hard drop/count, one for the soft drop/count and one for the currency acceptor drop/count. The count room must not be entered until the count is in process and the CPA must not leave the room until the monies have been counted and verified to the count sheet by the CPA and accepted into accountability. If the drop teams are unaware of the drop observations and the count observations would be unexpected, the hard count and soft count rooms may be entered simultaneously. Additionally, if the slot currency acceptor count begins immediately after the table games count in the same location, by the same count team, and using the same equipment, the currency acceptor count observation can be conducted on the same day as the table games count observation as long as the CPA remains until monies are transferred to the vault/cashier.

- b. Observations of the licensee's employees as they perform their duties.
- c. Interviews with the licensee's employees who perform the procedures addressed by the MICS.
- d. Compliance testing of various documents referred to in the MICS. The scope of such testing is indicated on the checklist where applicable. When documents are to be selected from different months, they must be non-consecutive months.

The above procedures are the minimum procedures that must be performed. Upon written notice by the Board Chairman or his designee, other procedures may be required. The licensee shall engage the CPA to perform such procedures and include the findings in the CPA's compliance report. The Board will cite licensees for violations of Regulation 6.090(9) where the CPA's have not complied with the Guidelines, so that the problems may be rectified during future engagements.

Upon written request by a licensee, the Chairman or his designee may provide written approval for the CPA to waive the performance of one or more areas of review for a specific year due to the occurrence of unusual circumstances or for good reason. Such approval is at the sole discretion of the Board. For new licensees that have been in operation for three months or less by the end of their business year, performance of these guidelines is not required. The Board classifies new licensees as Group I, Group II or Group III based on their first-year gross gaming revenue projections. Such initial classification should be used when determining whether Regulation 6.090(9) applies to recently licensed entities.

These Guidelines are not intended to limit the CPA to the performance of only the above-specified procedures. If additional procedures are performed (e.g., expanded document testing), the results should be included in their report.

***Reliance on Internal Auditors***

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The CPA may rely on the work of an internal auditor, to the extent allowed by the professional standards, for the performance of the required procedures specified in items 2 b, c and d above, and for the completion of the checklists as it relates to those procedures, if the internal audit department meets all of the following criteria:

1. The internal audit department reports directly to management/ownership (i.e., individuals who are independent of departments subject to audit).
2. The individual who is directly responsible for supervising and managing the internal audit function must be a CIA or CPA with a minimum of two years auditing experience.
3. At least 50% of the internal audit staff must possess a four-year degree.
4. The internal audit department operates with audit programs which, at a minimum, address the MICS. Additionally, the department properly documents the work performed, the conclusions reached, and the resolution of all exceptions.

The CPA will evaluate the internal audit department's compliance with the above criteria and document the results in their workpapers. Additionally, the CPA shall issue a letter to the Board (either through the licensee or directly to the Board with the concurrence of the licensee), as to the internal audit department's compliance with the preceding criteria and the extent of reliance to be placed on the work of the internal audit department ("internal audit reliance letter"). The letter must be submitted no later than 90 days following the beginning of the year under audit. The Chairman or his designee, in his sole discretion and upon notice to a licensee, may refuse to accept or may limit the extent of the CPA's reliance on the work of an internal audit department for purposes of Regulation 6.090(9); written notification will be provided to the CPA within 30 days if such action is to be taken. If the CPA does not anticipate relying on the internal audit department, no Board notification is necessary. In those instances where the licensee has changed CPA's and the successor CPA wants to rely on the internal audit department, the above 90-day notice requirement can be waived. Such approval is at the sole discretion of the Board.

In certain limited circumstances the internal audit department may not satisfy one or more of the specified criteria, but the CPA may believe the quality of the department is such that reliance should be placed on the work of the internal auditors. In such circumstances the CPA shall submit a written request to the Chairman (through the licensee or directly with the concurrence of the licensee) for approval of an internal audit department that does not meet the above criteria ("internal audit exemption letter"). The letter must describe in detail why the internal audit department should be relied upon. The letter must be submitted no later than 90 days following the beginning of the year under audit. The Chairman or his designee will evaluate the request and issue a written determination. For purposes of Regulation 6.090(9), the CPA should not place any reliance on an internal audit department that doesn't meet the established criteria until such time as a written determination has been received. Once an exemption has been granted, it is necessary to notify the Board if the conditions of the exemption have changed or if the internal audit department will no longer be relied upon. An internal audit exemption letter does not have to be submitted annually if the department remains unchanged from when the exemption approval was granted. However, an internal audit reliance letter will need to be filed annually confirming that no changes in the internal audit department had occurred since the granting of the exemption.

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If the CPA is engaged to perform both the internal audit procedures required by the Minimum Internal Control Standards and the procedures required by Regulation 6.090(9), the required observations of the hard, soft and currency acceptor drop/count procedures must be performed to satisfy both the Internal Audit MICS and these guidelines. All other procedures required to be performed need only meet the internal audit requirements of the MICS in addition to those procedures specifically addressed in these guidelines and checklists that are not addressed in the internal audit MICS. The performance of the procedures related to items 2 b, c and d above are satisfied by the internal audit MICS and do not have to be repeated. The same policy is applicable if the CPA relies on a qualified internal audit department. **ALL** internal audit procedures must be performed (either by someone independent of the functions being examined, a separate internal audit department, or a CPA).

Finally, in some instances another CPA may perform the licensee's internal audit function. No reliance letter is required if the CPA is licensed to practice in the state of Nevada.

### ***Report Format***

The Gaming Control Board has concluded that the performance of these agreed-upon procedures is an attestation engagement in which the CPA applies such agreed-upon procedures to a licensee's assertion that the gaming operation and the operation's written internal control system are in compliance with the MICS. Accordingly, the Statements on Standards for Attestation Engagements (SSAE's) issued by the Auditing Standards Board are applicable. SSAE #3 ("Compliance Attestation") and #4 ("Agreed-Upon Procedures Engagements") appear to provide current, pertinent guidance regarding this specific type of engagement, and the sample report formats included within those standards may be used, as appropriate, in the preparation of the CPA's MICS compliance report. The Board will accept other report formats if they contain all of the information discussed below.

The Regulation 6.090(9) compliance report should identify the procedures performed and whether or not any exceptions were noted. The report must describe all instances of procedural noncompliance with the MICS or approved variations, and all instances where the licensee's written system does not comply with Regulation 6.090(2)(a), (b), (c) and the MICS. Pursuant to Regulation 6.090(9) each instance of noncompliance with the MICS discovered by the internal audit department must also be addressed by the CPA's compliance report. This can be accomplished by itemizing each exception in the body of the report or by a general reference to the internal audit reports which must be attached to the CPA's report. If copies of the internal audit reports are attached, they should contain the individual instances of noncompliance noted by the internal audit department. Management responses are required for all noted instances of noncompliance found by both the CPA and the internal audit department.

Material internal control deficiencies in gaming areas, entertainment taxable areas, EDP departments, internal audit, and accounting areas that are not addressed by the MICS should be disclosed in a management letter to the licensee and not in the Regulation 6.090(9) compliance report.

### ***Report Submission Requirements***

Two copies of the CPA's compliance report and the licensee's statement addressing areas of noted noncompliance are required to be submitted to the Board no later than 150 days after the

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licensee's business year pursuant to Regulation 6.090(9). This report should be provided in addition to any reports required to be submitted to the Board pursuant to Regulation 6.080(8).

Additionally, it is recommended that the CPA maintain the workpapers supporting the report for a minimum of five years. The Board may request access to these workpapers, through the licensee, pursuant to Regulation 6.080(9).

Please contact the Board's Audit Division if you require clarification of the preceding guidelines.